



**Milwaukee County Employees' Retirement System Pension Board
September 13, 2022 Investment Committee Meeting
MINUTES**

Call to Order

Investment Committee Chairperson Ron Nelson called the Investment Committee to order at 10:04 a.m. on Tuesday, September 13, 2022. The meeting was held virtually due to Milwaukee County's and the City of Milwaukee's Stay Safe MKE initiative limiting gatherings in light of the COVID-19 pandemic.

Committee Members Present:

Nicole Best
Ron Nelson
Himanshu Parikh
Rob Worzalla

Other Pension Board Members Present:

Kessha Hobson
David Robles

Others Present:

Chris Caparelli, Marquette Associates Inc.
Erika Bronikowski, Retirement Plan Services
Annamarie Kirsanoff, Retirement Plan Services
Judd Taback, Milwaukee County Office of Corporation Counsel
Anisha Goodly, TCW
Elizabeth Yan, TCW
Valeria Mendiola, TCW

1. Topic: Chairperson's Report

Committee Chairperson Nelson welcomed everyone to the meeting. He noted that since the Committee last met in May 2022 there has been sustained volatility in the economy.

2. Topic: Meeting Minutes – May 10, 2022

A motion by Trustee Best, seconded by Trustee Nelson, was made to approve the May 10, 2022 Investment Committee Meeting minutes. The motion passed unanimously.

3. Topic: Investment Manager Update

Mr. Caparelli explained that TCW is ERS' emerging market debt manager that the Pension Board made a commitment to in 2019. He noted that the TCW team is doing well in the current high interest rate, high inflation environment. They recently had some leadership team changes in the news but not investment team changes so there are no significant concerns.

Ms. Yan introduced the TCW team.

Ms. Goodly provided an overview of the portfolio and then the fund's outlook. She noted that it has been a challenging market environment for this strategy. Despite that, TCW is continuing to invest in and expand their team, including integrating ESG factors into their process. She added that Emerging Markets makes up 25% of global fixed income.

Ms. Goodly continued to explain the portfolio. Inflation has been higher than expected at beginning of year. As inflation started increasing and impacted growth, high yield underperformed. She noted that they do not have exposure to local currency debt.

At the beginning of the year, TCW held a small position in Russia, which they soon exited. She also confirmed they have no exposure to Belarus.

She explained that they have underperformed since the inception of the account. In 2020 no one anticipated the world shutting down at the time. They have been making up that underperformance since.

Ms. Goodly continued with their outlook. Although inflation has stuck around, it's possible it has already peaked. U.S. inflation will be a key driver to turn the environment around. Looking forward

Emerging Market growth is expected to outpace developed markets growth. Looking long term, an HSBC report on long term demographic trends in the world estimates more than one billion new middle-income consumers mainly in Africa and Asia by 2040. Additionally in Latin America it is expected that there will be more high spenders than in developed Europe by 2040. This should provide growth opportunities over time.

In response to a question from Trustee Robles, Ms. Goodly confirmed that quasi-sovereigns are state-owned companies and noted that they may rebound faster than corporates.

4. Topic: Market Update and Report on Plan Assets

Mr. Caparelli reviewed the market tracker and flash reports for June through August 2022. He noted that through June, the S&P 500 was down 20% and the fixed income benchmark was down 10%. July 2022 saw some growth as inflation slowed. Then in August, the S&P 500 was back down 4%.

Year to date, the S&P 500 was down 16% which reflects the experience of equities. Additionally, year to date, we have seen a negative 10% for fixed income. He noted that international equities are tracking the US market.

During this volatility, real assets such as real estate, infrastructure, and private market allocation have helped the portfolio.

In response to a question from Chairperson Nelson, Mr. Caparelli explained that for the rest of 2022, he expects more volatility but it likely won't be as bad as we get more clarity on inflation.

Mr. Caparelli noted that overall plan assets at the end of August were approximately \$1.7 billion. At the end of 2021, the fund held almost \$2 billion. In 2022, \$110 million has been paid for benefit payments and there have been negative \$160 million in returns.

He then reviewed current investments against the asset allocation in the Plan's Investment Policy Statements. Currently, the fixed income is underweight by \$100 million. Real assets and private equity are overweight. We are within the policy limits.

Mr. Caparelli then provided an update on recently hired managers: Alliance Bernstein, Owl Rock, BPEA and Fairview funds. Owl Rock called \$14 million. Fairview Fund VI called \$1.4 million of the \$10 million commitment. BPEA Fund VI called \$2.5 million of the \$25 million commitment. Alliance Bernstein is expected to make a capital call in the next few weeks.

Finally the fund's overall performance was reviewed. Year to date, the fund is down 8.4% versus the benchmark of 7.8%. Over the past 10 years, the fund's performance was over 8%. Currently, managers are generally beating their benchmarks. However, anything benchmarked to inflation will be tough to keep up because inflation has been so high.

The Committee unanimously voted to enter closed session under Section 19.85(1)(e), Wis. Stats., with regard to Item(s) 5 through 7b for considering the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session.

5. Topic: QMA Emerging Markets Small Cap – Fund Update

The Committee discussed Item 5 in closed session. Upon returning to open session, no action was taken.

6. Topic: Trumbull Property Fund Board of Directors Update and Agreement Update

The Committee discussed Item 6 in closed session. Upon returning to open session, Trustee Best made a motion to recommend to the Pension Board to approve that UBS institute an independent board of directors for the Trumbull Property Fund. The motion was seconded by Trustee Worzalla and passed unanimously.

7. **Topic: Adams Street 2005 Fund extensions**
 - a. **Adams street 2005 U.S. Fund extension through 12/31/2024**
 - b. **Adams street 2005 Non-U.S. Fund extension through 12/31/2024**

The Committee discussed Items 7a and b in closed session. Upon returning to open session, Trustee Parikh moved to recommend to the Pension Board to approve an extension of the Adams Street 2005 U.S. and Non-U.S. Funds through 12/31/2024. The motion was seconded by Trustee Nelson and passed unanimously.

8. **Topic: Adjournment**

Meeting adjourned at 11:50 a.m.